

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE NOTICE OF PURCHASED GAS)	
ADJUSTMENT FILING OF WESTERN)	CASE NO. 8839-Y
KENTUCKY GAS COMPANY)	

O R D E R

On December 1, 1983, the Commission issued its Order in Case No. 8839 approving certain adjustments in rates and providing under certain conditions for the further adjustment of such rates when the wholesale cost of gas is increased or decreased or a refund is received.

On March 10, 1986, Western Kentucky Gas Company ("Western") notified the Commission that it had received refunds from its suppliers, Texas Gas Transmission Corporation ("Texas Gas"), Tennessee Gas Pipeline Company ("Tennessee"), and local producers and that it had certain overcollections to return to its customers. The refunds are the result of Federal Energy Regulatory Commission ("FERC") settlements and of overtracking by suppliers.

After reviewing the record in this case and being advised, the Commission is of the opinion and finds that:

(1) Western has refunds from its suppliers and overcollections in the amount of \$767,253 to be refunded to its customers.

(2) A refund factor of 2.69 cents per Mcf should be used as a reduction in the purchased gas adjustment.

(3) The refund factor should remain in effect for 12 months, as Western proposes, to ensure a more equitable refund to all customers.

(4) The refund factor should begin with meter readings taken on April 1, 1986, or as soon as practical thereafter.

(5) Western should refund the amount reported in its application plus interest at a rate equal to the "3-Month Commercial Paper Rate" less 1/2 of 1 percent to cover the costs of refunding. These monthly rates are reported in the Federal Reserve Bulletin and the Federal Reserve Statistical Release.

IT IS THEREFORE ORDERED that:

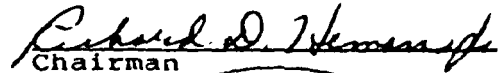
(1) Western shall apply a refund factor in the amount of 2.69 cents per Mcf as a reduction in the approved purchased gas adjustment beginning with meter readings taken on April 1, 1986, and this refund factor shall remain in effect until the total amount refunded will, as nearly as possible, reflect the amount received. The refund factor will terminate when the amount refunded equals the amount herein reported plus interest.

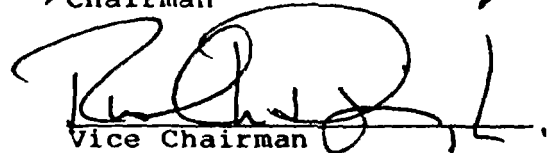
(2) Within 30 days of the date the refund is terminated Western shall file with this Commission a summary statement showing a reconciliation of customer billings and the amount refunded.

(3) Within 30 days of the date of this Order Western shall file with this Commission its revised tariffs setting out the refund factor authorized herein. All other rates and charges shall remain in full force and effect.

Done at Frankfort, Kentucky, this 24th day of March, 1986.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary